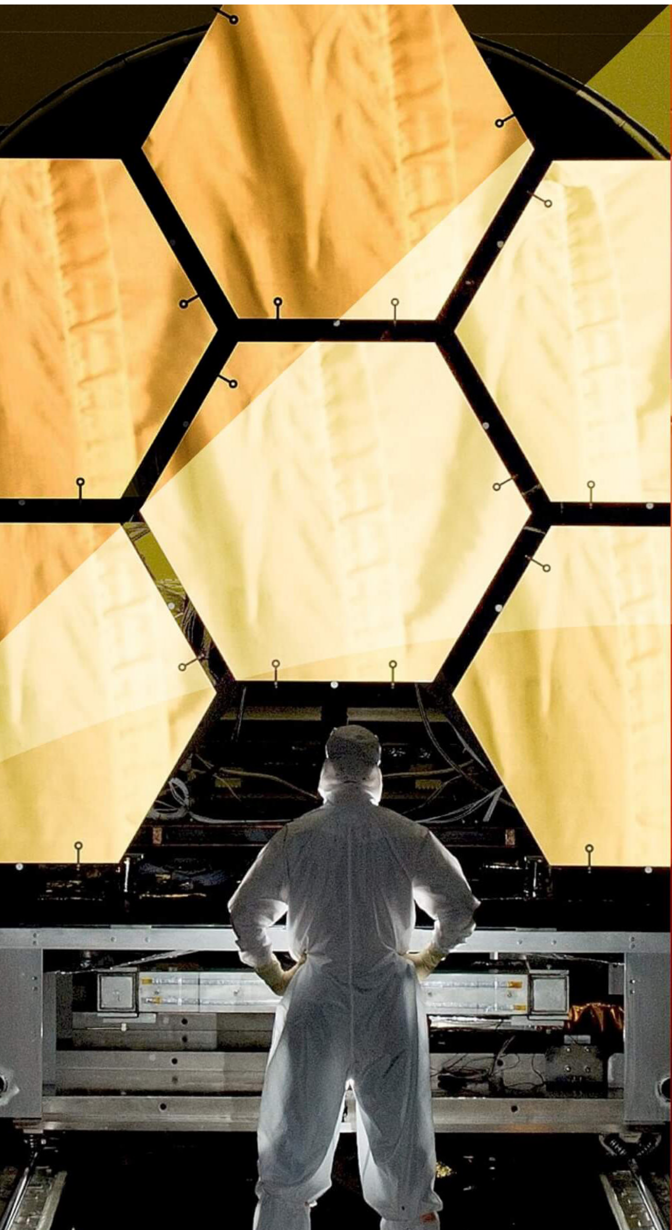
Risk Management

Market Perception Trends: Risk Consulting Providers 2023

By Elizabeth Babalola
With Daniel Garcia

November 2023



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This report aims to provide corporate risk executives and senior strategy executives with guidance in choosing a risk consulting brand for risk management strategy execution and service delivery within their firm. It will also provide chief marketing officers, and business development officers involved in corporate risk consulting services, with valuable insights into their standing compared with other global service providers, in terms of preference and awareness.

This report offers a deep dive into key factors that shape risk management strategies, brand preferences and spending from a client priority and requirements perspective. Insights in this report are drawn from the Verdantix 2023 global corporate risk management survey, which gathered responses from 200 senior risk executives across 14 industries around the world. To ensure a high-quality data set, we targeted executives from firms across different industries and regions, with minimum annual revenues of $250 million, holding role titles of director and above.

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Organizations mentioned

AJG (Gallagher), AlixPartners, Allianz, Aon, Control Risks, DEKRA, Deloitte, dss+, DXC Technology, EY, FTI Consulting, Howden, KPMG, Kroll, Lockton, Marsh, PwC, RMS (Moody's), Towergate Insurance Brokers, UK Financial Reporting Council, Willis Towers Watson (WTW).

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Corporate brand perception of risk consulting service providers

In September 2023, Verdantix set out to uncover which risk consulting service providers firms hold in the highest esteem, amongst the array of risk consulting brands. To achieve this, the Verdantix Risk Management practice conducted its inaugural global corporate survey to discover clients' perspectives and the reasons behind their choices (see Verdantix Global Corporate Survey 2023: Risk Management Budgets, Priorities & Tech Preferences). Our survey covered:

- **200 risk decision-makers, representing firms with at least $250 million in revenues.**
  To ensure a high-quality data set, survey respondents comprised senior executives within risk functions who possess significant oversight over corporate risk management policies and frameworks. The seniority level of respondents was split into four tiers: SVP, VP, global head of functions, and director. All represented firms held minimum annual revenues of $250 million, with most achieving revenues of $1 billion per annum or more. All survey respondents participated in direct telephone interviews to ensure the accuracy of the data.

- **Risk leaders at firms situated across nine regions.**
  For adequate coverage of risk priorities across geographical scales, our respondents were selected from 11 countries spanning nine regions: Australia-New Zealand, Austria-Switzerland, Benelux, Canada, Germany, France, the Nordics, the UK and the US.

- **Firms across 14 industries, with a broad range of emerging risk challenges.**
  The 2023 global survey encompassed interviews with senior executives representing 14 major verticals, from financial services and insurance to construction and oil and gas.

- **An assessment of 20 leading providers of risk consulting services across the globe.**
  To provide a robust brand comparison, more precise and reliable results, and to ensure that findings accurately represented clients' preferences and the broader market, a sample size of 20 service providers was used (see **Figure 1**).

The 'Big 4' maintain the topmost position as the most preferred risk consulting providers

Verdantix defines 'strong brand preference' as respondents perceiving that a provider has either market-leading or strong capabilities; and 'weak brand preference' as respondents viewing a provider as having average capabilities or being unaware of their capabilities (see **Figure 2**). To further gain insight into brand awareness, Verdantix grouped all responses indicating awareness of the brands to create a binary evaluation of 'awareness' versus 'lack of awareness' (see **Figure 3**). The Big 4 consulting firms – Deloitte, EY, KPMG and PwC – have long held a firm grip on the risk consulting market. It comes as no surprise, therefore, that they top the charts in terms of brand perception in our survey. We found that the Big 4:

- **Are preferred for their global coverage and range of service options.**
  The expansive global reach of the Big 4 firms equips them to efficiently serve multinational clients, while their wide range of services encompasses everything from management and strategy to technology and risk consulting. These providers have built a robust reputation grounded in their extensive expertise, lengthy track records and diverse talent pools, which instils confidence in their clients. EY, for instance, has teams operating in over 150 countries.

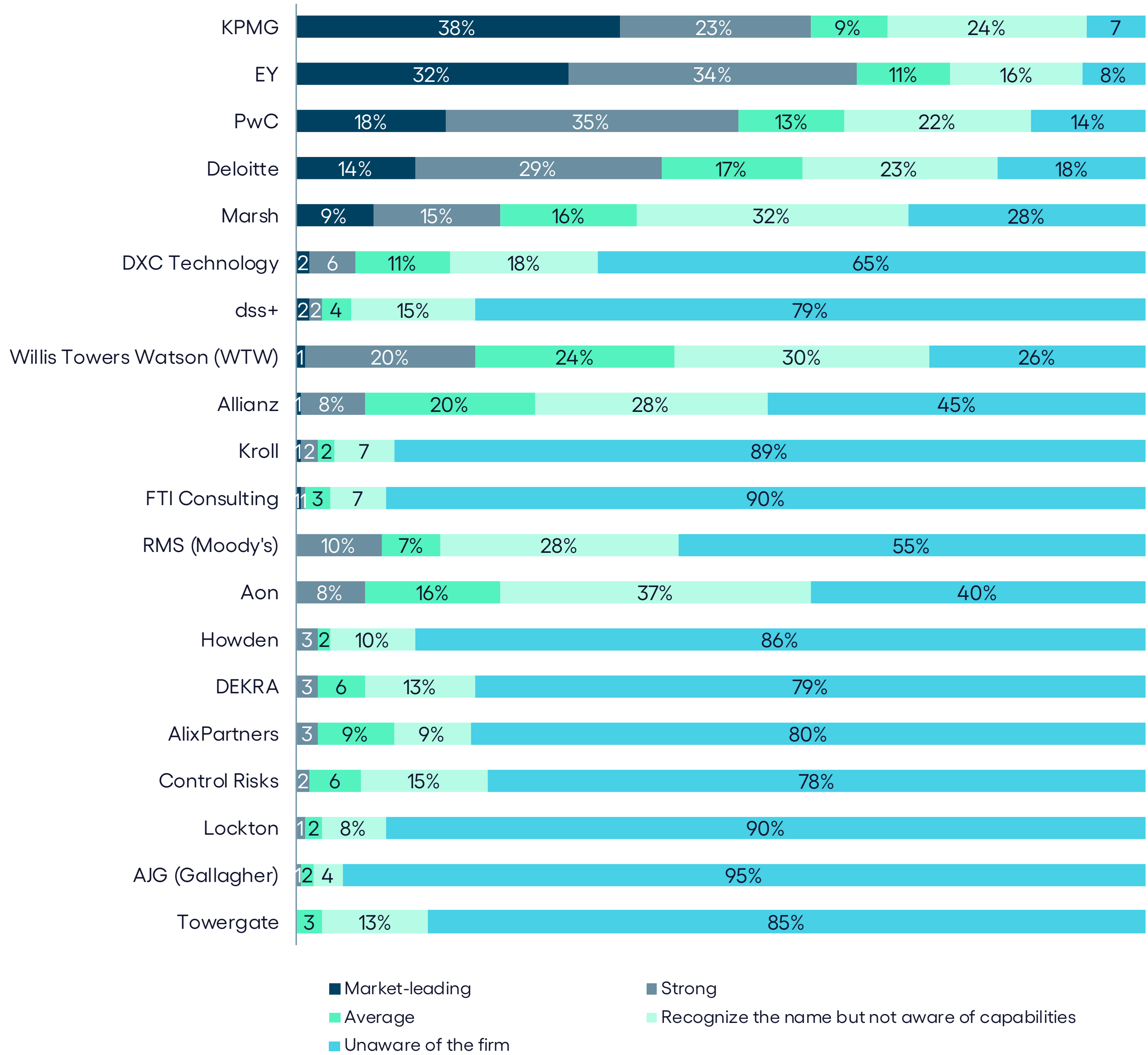
- **Leverage long-term business partnerships and brand loyalty.**
  Over the years, the Big 4 have established a strong reputation for high-quality services. PwC, for example, has a 160-year history, and can draw on the collective experience of over 395,000 people across a network of firms in 152 countries. This has led to strong client relationships, repeat business, and multiple partnerships. The expansive client bases of these four firms are viewed by clients as a testament to the quality of their services.

- **Can pose a competitive threat through their service offerings and interconnectedness.** The Big 4's expansive coverage can, however, inadvertently stifle competition, potentially resulting in higher fees and more rigid operating models overall. Moreover, their dual roles in auditing and consulting for the same clients poses a heightened risk of conflicts of interest, which can compromise financial reporting and erode public trust. This concern, amid other public scandals, such as lawsuits against EY and KPMG in Germany and the ongoing investigation into PwC's services to Russian clients, has prompted regulatory actions, such as a directive from the UK's Financial Reporting Council requiring the four to separate their auditing divisions from the rest of their operations by June 2024. Furthermore, their formidable market presence grants them substantial influence over policies and regulations, giving rise to concerns about regulatory capture, limited perspectives and the speed of innovation. The sheer size and interconnectedness of these firms pose systemic risks in the event of a major failure, which could potentially lead to knowledge gaps and pricing pressures.

Figure 1

Risk consulting service providers: capabilities ranking

What is your perception of the capabilities of the following risk consulting service providers?



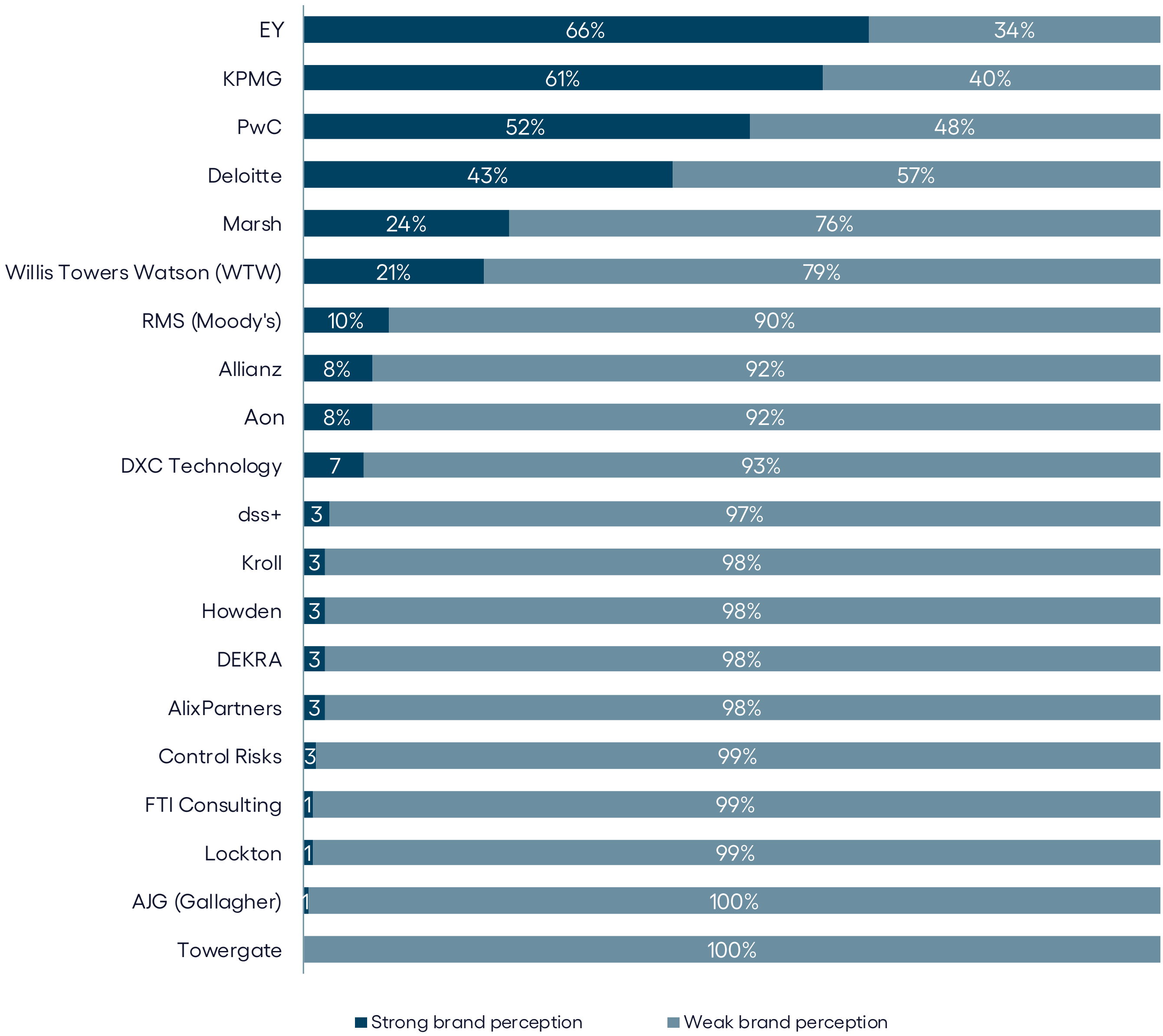
Note: Data labels are rounded to zero decimal places; percentages less than 8% are written as numbers.

Source: Verdantix Global Corporate Survey 2023: Risk Management Budgets, Priorities & Tech Preferences N=200

Figure 2

Risk consulting service providers: brand preference

What is your perception of the capabilities of the following risk consulting service providers?



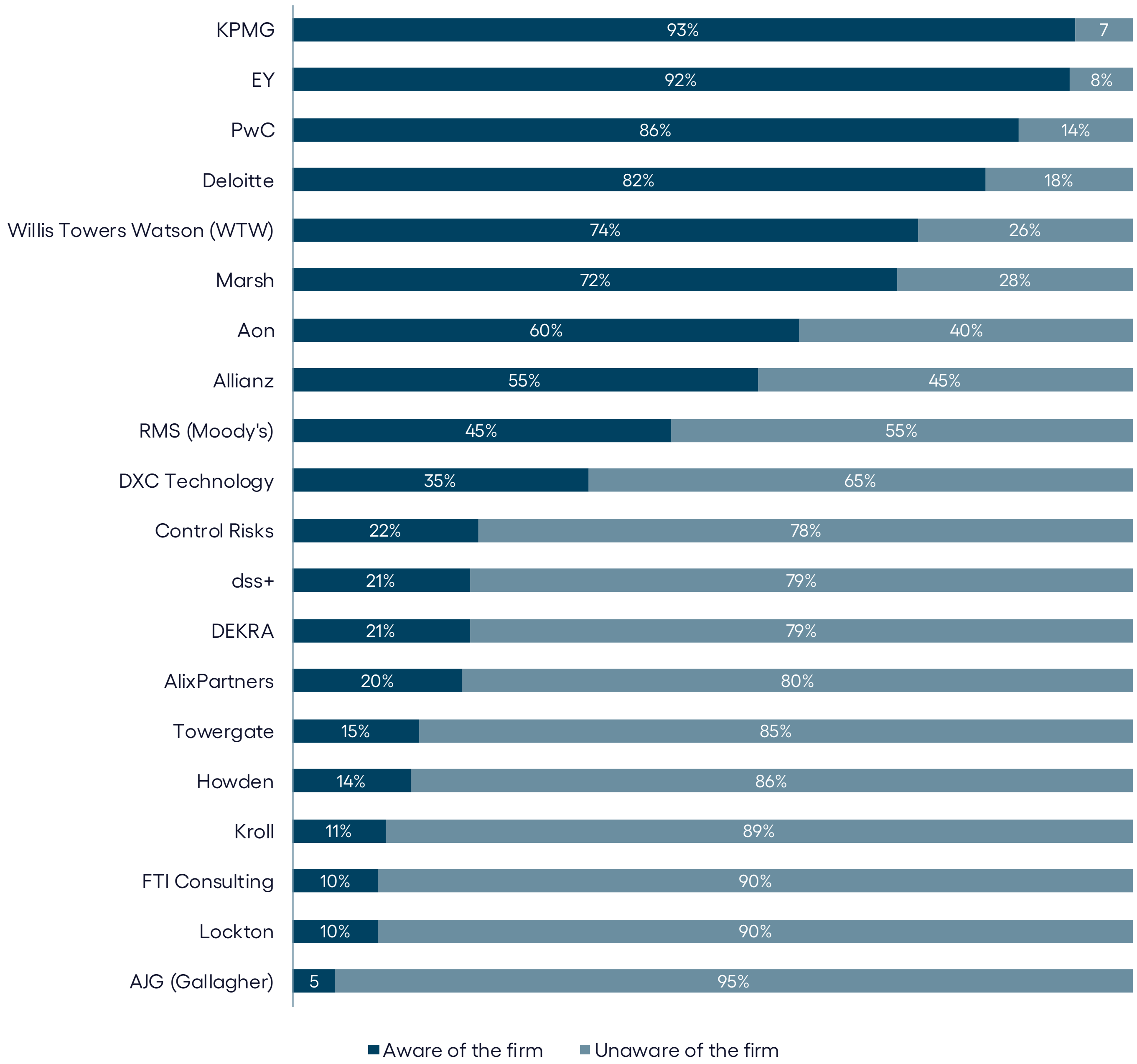
Note: Data labels are rounded to zero decimal places; percentages less than 8% are written as numbers.

Source: Verdantix Global Corporate Survey 2023: Risk Management Budgets, Priorities & Tech Preferences N=200

Figure 3

Risk consulting service providers: brand awareness

What is your perception of the capabilities of the following risk consulting providers?



Note: Data labels are rounded to zero decimal places; percentages less than 8% are written as numbers.

Source: Verdantix Global Corporate Survey 2023: Risk Management Budgets, Priorities & Tech Preferences

N=200

Boutique risk consulting firms are beneficial for executing risk management strategies

Based on further analyses of respondents' brand preferences, Verdantix classifies Allianz, Aon, dss+, DXC Technology, Kroll, Marsh, RMS (Moody's) and Willis Towers Watson (WTW) as boutique consulting firms. These firms are prominent players in the field of risk management and consulting services, offering different solutions and expertise related to identifying, analysing and managing various types of risks. Key features of these firms uncovered by Verdantix are:

- **Niche areas of expertise, with greater industry specialization.**
  Boutique risk consulting firms specialize in specific industry sectors, which gives them an edge. They can provide in-depth expertise on particular geographic markets, as well as objective risk assessments, compliance guidance, and crisis management capabilities. The proprietary models and unique methodologies they offer also set them apart from some of the larger consulting firms. For example, Allianz, Marsh and WTW are significant players in the insurance and reinsurance sectors, where they offer risk transfer solutions. DXC Technology and RMS (Moody's) leverage innovative technology and data analytics to deliver insights and tools for risk assessment and modelling. dss+ and Kroll are known for their expertise in cyber security, fraud prevention and security risk management.

- **Agility and flexibility.**
  Smaller in size, boutique consulting firms have greater agility to respond to market changes, and enhanced flexibility with regard to clients' needs and budgets. Along with their technology adoption rates, these factors make them valuable partners for organizations with diverse operations seeking value for their investments. For example, clients choose Moody's RMS Risk Modeler Software-as-a-Service (SaaS) product to improve their existing workflows, features and core functions, such as public application programming interfaces (APIs) that allow seamless integration into existing systems. They also look to the product to obtain near-real-time insights into day-to-day business decision-making across an organization.

- **Consistent need for collaboration.**
  Employing the services of niche risk consulting firms comes with limitations, due to the smaller variety of domains or areas they cover. This can necessitate coordination with multiple providers, to ensure the delivery of comprehensive solutions to clients. To address this, organizations must ensure that their overall risk management strategy remains holistic and addresses potential interconnections between various risks. Firms must remain vigilant in dynamic and volatile niche areas and should implement data privacy and confidentiality measures when sharing sensitive information with these specialized consultants.

New regulations and expansion majorly influence firms' demand for risk consulting services

Risk consulting service providers play a crucial role in aiding the execution of a firm's risk management strategy. They provide objectivity and expert guidance on navigating complex regulatory frameworks, ensuring that businesses adhere to legal requirements and industry standards. By leveraging the expertise of risk consultants, firms can proactively identify and address compliance issues, mitigating potential legal, reputational and financial risks. The Verdantix risk management survey took a closer look at how firms plan and execute their risk management strategies, discovering that organizations:

- **Utilize risk consultants for strategic risk projects.**
  According to our survey data, chief risk officers, CEOs and CFOs assume prominent roles in the selection of risk consultants (see **Figure 4**). This suggests that risk consulting is an integral part of firms' risk management strategies and cost allocation processes. Organizations leverage consulting services to strengthen their capacity for more comprehensive identification, assessment of and mitigation of risks,

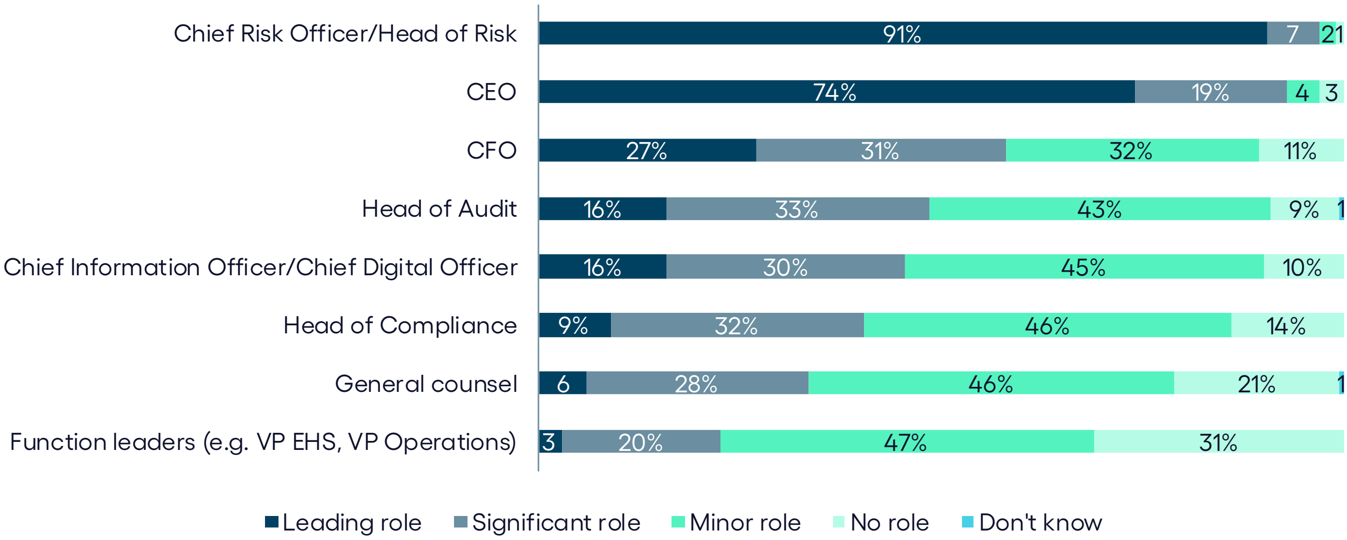
tapping into specialized expertise and external viewpoints to achieve this. By harnessing consulting services, businesses aim to stay at the forefront of industry trends, making well-informed decisions to safeguard assets and ensure long-term sustainability in their operations.

- **Increase spending on risk management strategy execution to accommodate consulting services.** Our survey participants rated several key factors that have driven them to raise their expenditure on risk management in the past year. Among these is the emergence of new industry-specific ESG and climate regulations (see Verdantix Strategic Focus: Trends In ESG Risk Management) (see **Figure 5**). Firms leverage the expertise provided by risk consulting service providers to assess compliance risks, formulate strategies to comply with relevant geographic laws and industry regulatory standards, and implement best practices to steer clear of legal and financial repercussions. Given the dynamic nature of the risk landscape, Verdantix anticipates a surge in mandatory industry-specific regulations around aspects such as climate risk disclosure (see Verdantix Strategic Focus: Linking Risk Complexity To Digital Requirements). The demand for niche risk consulting services is expected to rise in response to these evolving requirements.
- **Require risk consulting services during expansion into new geographies.** Our survey data show expansion into new regions with higher risk profiles to be a significant driver of increased spend on risk management. Firms use consulting services as a crucial element of their expansion into new geographies. This enables them to gain a comprehensive understanding of the unique risks and opportunities in their target markets, encompassing factors such as political stability, economic conditions, legal requirements and cultural nuances. The insights obtained equip businesses to develop tailored strategies for risk mitigation, regulatory compliance, effective market entry, organizational design and development, technology selection, and the training of in-house risk teams. Specialized risk consultants in specific areas can also provide guidance on security measures, crisis management, supply chain optimization and financial risk management, to ensure that business operations run smoothly, while safeguarding assets and the firm's reputation.

Figure 4

Risk and C-Suite functions are key decision-makers for risk-based consulting projects

What is the role of the following decision-makers in your firm's hiring of consultants for risk projects?



Note: Data labels are rounded to zero decimal places; percentages less than 8% are written as numbers.

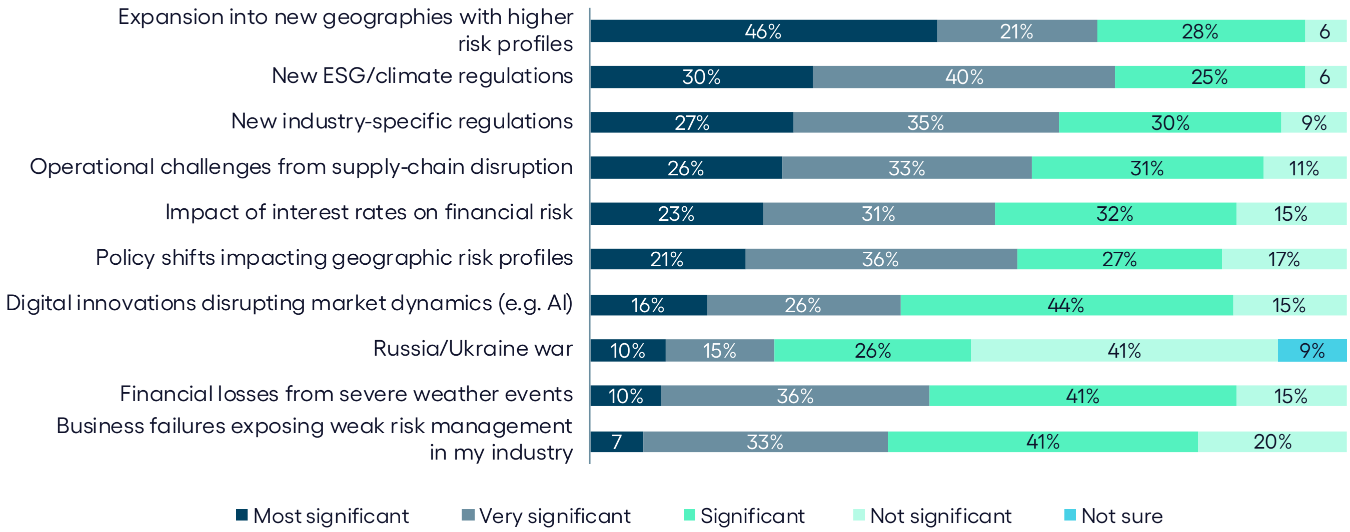
Source: Verdantix Global Corporate Survey 2023: Risk Management Budgets, Priorities & Tech Preferences

N=200

Figure 5

Geographic pressures and emerging risks related to ESG and climate change are key drivers of spend

In the last 12 months, how significant have the following factors been in causing your firm to increase spending on risk management?



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